

# 2003 HIGHLIGHTS

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## Overview

The war in Iraq, terrorism, drought, and uncertain economic conditions presented a challenging set of circumstances for the travel industry in the first part of 2003. As the economy began to improve in 2003, people began to travel again once they felt better about their pocketbooks. Additionally, society seems to have accepted the fact that terrorism may always pose a threat, but life must go on and people will travel. When comparing Utah's 2003 tourism statistics to the 2002 numbers, many numbers went down in light of being compared to an Olympic year, but if 2003 statistics are compared to 2001, some segments show improvement, others show a downward trend. Visitation numbers, traveler spending, and travel-related tax revenue decreased compared to 2002.

## Utah Travel – Several Indicators Decreased Compared to 2002

Having faced many challenges, Utah's travel and tourism sector was down in 2003. Non-resident tourism arrivals to Utah declined to 16.9 million. Both domestic and international visitation declined when compared to 2002, the Olympic year. Visitation reports indicated decreases in vehicle traffic along Utah's interstates and fewer visitors at national parks and state-operated welcome centers. Hotel occupancies decreased to 3.3% in 2003. Statewide room rates were slightly lower than in 2002 with the exception of February. When compared to the much higher room rates during the 2002 Olympics, the rates in February of 2003 were 55.4% lower. The downturn in air travel continued during 2003, with 1.0% fewer passengers at the Salt Lake International Airport compared to 2002. Drought-induced difficulties at many state parks prompted a 20.6% decline in state park visitation during the year. The number of skier days improved 5.2%, which is impressive given the fact that the snowfall was less than average. An increased number of out-of-town skiers visited during the 2002-03 season after having seen the Olympics the previous year, and this helped offset the fact that local skiers didn't ski as much while waiting for the perfect snowfall that didn't seem to come.<sup>1</sup>

## Utah Traveler Spending and Visitation Declined

In 2003, consumer confidence was low in the first quarter as people waited to see the impact of the war in Iraq on the economy. In April, confidence improved and remained stable throughout much of the year. Both air and ground transportation figures improved when compared with 2001, which is a better year to measure 2003 against, since 2002 was irregular because of the Olympics. The increase in destination skiers (compared to the 2001-02 season) helped minimize the decline in traveler spending and tourism related tax revenue. Nevertheless, the drought had a negative effect on state park visitation.

## Travel Trends

In 2003, a number of trends emerged



- People are making travel arrangements online
  - 65% of business travelers and 57% of pleasure travelers use the Internet to plan some aspect of travel<sup>2</sup>
- Geotourism – tourism that enhances or sustains the geographical character of the place being visited – is becoming more popular
  - Over 55 million American travelers seek culture and unique experiences when they travel. They also claim it is important to them that their visit not damage the environment<sup>3</sup>
- Minority travel is increasing with the growing population of minorities in the U.S.
  - Hispanic households generate the highest travel volume among the minority groups, followed closely by African-American households<sup>4</sup>

Of these trends, Utah is best positioned to benefit from the interest in geotourism, given the state's incredible and unique scenery combined with its pioneer heritage. However, the state must continue to make potential visitors aware of what Utah has to offer in order to fully capitalize from the geotourism trend. Utah's gains among domestic

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<sup>1</sup> Visitation reports collected from Salt Lake City Department of Airports, National Park Service, Utah Division of Travel Development, Utah Division of State Parks, Utah Department of Transportation, Ski Utah and the Rocky Mountain Lodging Report.

<sup>2</sup> 2003 National Travel Monitor, Yesawich, Pepperdine, Brown & Russell / Yankelovich Partners.

<sup>3</sup> Domestic Travel Market Report, 2004 Edition, Tourism Industry Association of America.

<sup>4</sup> Ibid.

leisure travelers, combined with the effects of the Olympics and a strong convention year, helped offset declines in business travel. Total traveler spending decreased slightly in 2003, at \$4.692 billion compared to \$4.631 billion in 2002. Total state and local taxes generated by traveler spending totaled \$367 million in 2003, or \$444 per Utah housing unit. The travel industry saw signs of improvement in the latter half of 2003, and employment increased 1.9%. Travel-related employment totaled 108,683 in 2003, accounting for 9.9% of total Utah non-farm jobs.

## **2003 Tax Barometer**

### **Gross Taxable Sales**

Gross taxable sales from five tourism-dependent industries (transportation, eating and drinking places, auto rentals, hotels and lodging, and amusement and recreation) are measured as an indicator of the relative performance of Utah's tourism industry. During 2003, the collective sales of those five industries declined 1.0% compared to total tourism related gross taxable sales in 2002. The 2003 gross taxable sales for the industry were also less than 2001's totals. In addition, for the third time in nine years, tourism failed to outpace the statewide growth rate (0.15%). Only the Eating & Drinking sector recorded positive growth in 2003 at 2.7%. The Hotel & Lodging sector fell off by 11.0% compared to 2002, but the sector did have more gross taxable retail sales than in 2001. Transportation continued to suffer with a 6.9% decline, Auto Rentals were off by 2.5%, and Amusement & Recreation decreased by 0.3%.

### **Total County-Based Tourism Taxes**

Tourism-related tax revenues include monies collected from the county-option tourism taxes including the transient room tax, prepared foods tax (restaurant tax), and the short-term vehicle lease tax (car rental tax). In 2003, total tourism-related tax revenues in Utah totaled \$50.3 million, 10.2% below 2002 total revenues. The restaurant tax, which is levied by 25 counties, accounted for 47% of total revenues at \$23.5 million. The transient room tax, which is collected by all 29 counties, accounted for \$18.1 million, or 36% of the total. The car rental tax, collected in only eight counties, accounted for 17% of the total with \$8.6 million in revenues.

<b>County-Based Tourism Tax Revenues</b>				
<b>More than \$5 million</b>	<b>\$1 to \$5 million</b>	<b>\$300,000 to \$1 million</b>	<b>\$100,000 to \$300,000</b>	<b>Less than \$100,000</b>
Salt Lake	Davis Summit Utah Washington Weber	Box Elder Cache Carbon Garfield Grand Iron Kane Sevier Tooele Uintah Wasatch	Beaver Duchesne Emery Juab San Juan Sanpete Wayne	Daggett Millard Morgan Piute Rich

There are major differences in the revenues collected by the various counties. Over 70% of the tourism-related tax revenues are based in the four Wasatch Front counties (Salt Lake, Utah, Davis, and Weber). Salt Lake County, with \$27.5 million in revenues, accounted for 55% of the statewide total. Summit County collected \$4.3 million in revenues (9%), followed by Utah County with \$3.9 million (8%), and Davis, Washington, and Weber, with over \$2 million each.

During 2003, twelve counties in Utah increased their total tourism-related tax revenues. Emery (474.0%), Piute (25.7%), Tooele (13.6%), and Wayne (13.5%) led the way. The counties who suffered the largest declines were Rich (-35.5%), Juab (-21.1%), Daggett (-12.7%), and Sanpete (-12.6%).

### **Transient Room Tax**

Statewide, the number of available rooms is estimated to be 56,426.<sup>5</sup> Demand for rooms has not kept pace with inventory growth, placing downward pressure on both occupancies and room rates. Since 1994, the number of available rooms have increased 112%. Occupancies in the Salt Lake area have declined from 80% in the mid-90s to an estimated 60% in 2003. Total Utah occupancy rates decreased by 3.3% in 2003, from 62.1% to 58.8%.<sup>6</sup> It should be noted that the Olympics in 2002 helped boost the 2002 occupancy percentage. However, the 58.8% rate in 2003 is also slightly lower than the 59.9% occupancy rate in 2001.

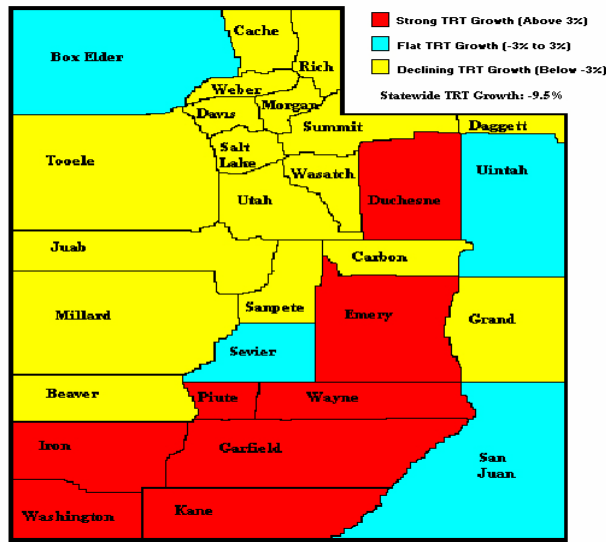
In 2003, the average room rate was \$73.26, significantly lower than the \$85.24 average room rate in 2002 (again, the Olympics boosted that average), and slightly lower than the 2001 average room rate of \$73.43.

The lower occupancy percentage and lower average room rates also lead to lower transient room tax collections. In 2003, \$18.1 million in transient room tax revenue were collected, down 9.5% from 2002. However, in 2001, only \$17.4 million were collected for transient room tax, 4% lower than the 2003 amount.

<sup>5</sup> Utah Hotel & Lodging Association

<sup>6</sup> *Rocky Mountain Lodging Report*, Ehrhardt Keefe Steiner & Hottman, PC, December 2002

### TRANSIENT ROOM TAX GROWTH % Change 2002 to 2003



SOURCE: Utah State Tax Commission

Among counties, Salt Lake led the way with nearly \$7.6 million in TRT collections, recording a 15.6% decrease from the previous year. Nearly 77% of statewide TRT collections originate from five counties: Salt Lake, Summit, Washington, Utah and Grand Counties. Eleven counties reported increased TRT revenues between 2002 and 2003, led by Emery (474%), Piute (26%), Duchesne (15%), and Wayne (14%). Eighteen counties recorded declines, with the largest drops in Morgan (-83%), Davis (-29%), Juab (-28%), and Rich (-21%).

**Restaurant Tax.** Twenty-five counties in Utah impose a 1% restaurant tax with revenues dedicated to tourism promotion and infrastructure development. Beaver County began collecting the tax in 2001. Only Emery, Millard, Piute and San Juan Counties do not collect the tax. Restaurant tax collections decreased a mere 0.5% in 2003, a very small decline following an Olympic year. Nearly half of the \$23.5 million in restaurant tax revenues were collected in Salt Lake County. Davis, Summit, Utah, Washington, and Weber also saw collections of greater than \$1 million. Overall, 14 of the

25 counties that impose the tax posted gains in 2003 compared to 2002. Three counties posted double-digit gains, Tooele (25%), Morgan (22%), and Wayne (13%). Eleven counties recorded declines, led by Rich (-51%), Daggett (-15%), Juab (-14%) and Sanpete (-12%).

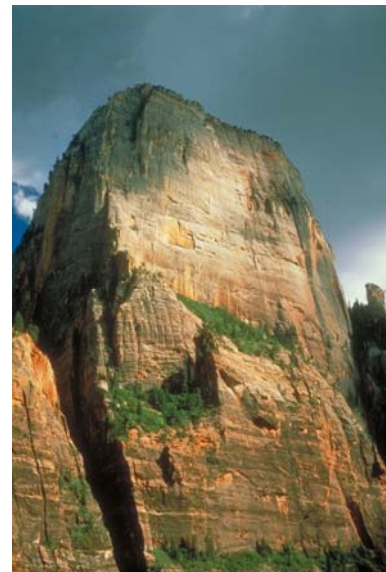
**Car Rental Tax.** Eight counties impose a county-based car rental tax in addition to the statewide car rental tax. The statewide tax is levied at 2.5% and the county-based tax fluctuates between 3% and 7% depending on the county. During 2003, revenues from the car rental tax increased in only one of the counties that impose the tax. Revenues increased significantly in Washington County (24.6%). Total revenues for all counties combined declined 4.7% to \$8.6 million. Salt Lake County accounted for over 96% of total car rental tax collections made by the counties during 2003. The state-imposed car rental tax (separate from the county portion of the tax) accounts for \$3.1 million and fell 7.7% compared to 2002. Year-over-year comparisons are difficult for this tax because of frequent changes to the reports due to prior period adjustments.

### Visitation Statistics

**National Parks.** Visits to Utah's national parks continue to top the state's tourist attractions. For the last decade, Utah's national parks have attracted around five million visitors. The popularity of Utah's national parks increased rapidly during the mid-80s and early 90s, growing by nearly 10% per year to 5.3 million visitors by 1992. Since 1992, the number of visitors to Utah's national parks has hovered close to five million, although visitation peaked in 1996 at 5.7 million. Since 1996, national park visitation has declined in five of the past seven years.

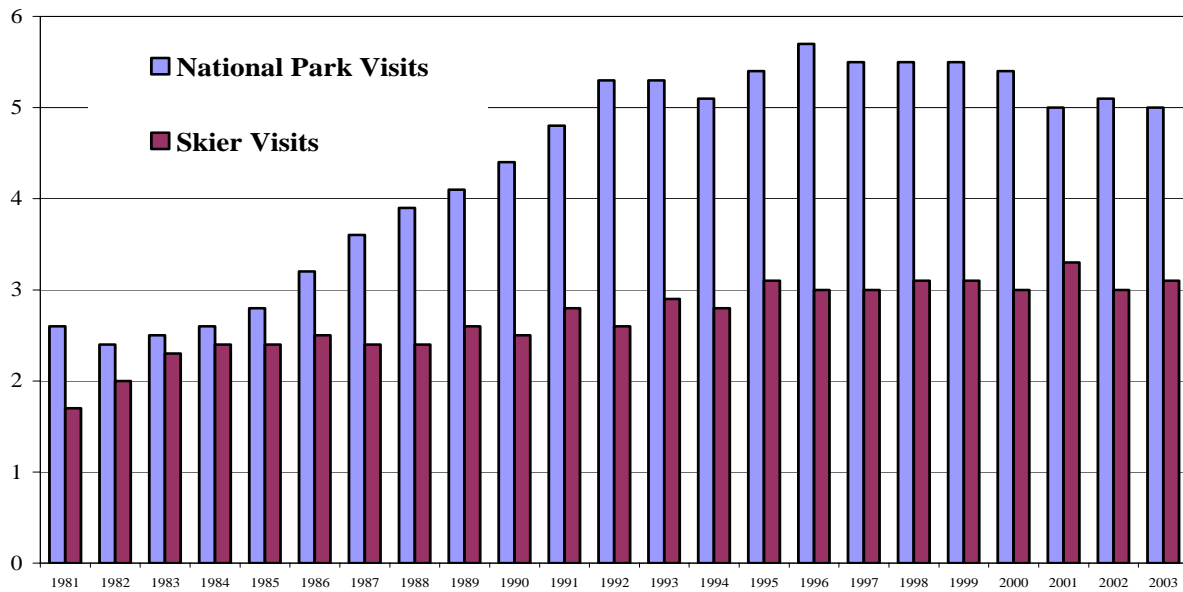
In 2003, 5.0 million visitors arrived at national parks in Utah, a 2.0% decrease from 2002. The state's biggest percent increase was Canyonlands, where visitation increased 3.0%, followed by Capitol Reef (2.3%) and Bryce Canyon (2.0%). Zion, Utah's most popular national park, had nearly 2.5 million visitors in 2003, a decline of 5.2% compared to 2002. Arches also suffered a decrease of 1.5% less visitors.

Visitation levels to Utah's national parks reflected an overall visitation pattern to national parks throughout the west with some enjoying increases and others suffering declines. Among the most popular parks in the region, visitation declined at Death Valley (-1%), Grand Teton (-10%), Olympic (-13%), and Glacier (-13%). Visitation increased or stayed the same as the previous year at Yellowstone (2%), Grand Canyon (3%), Rocky Mountain (3%), Mount Rainier (4%), and Yosemite (1%).



## National Park & Skier Visits

Millions



**Skiing.** Utah's ski industry expected an outstanding 2002/03 season, assuming that publicity from the Olympics a year earlier would lead to a higher number of skier visits. That season, a poor snow year led to less local skiers spending time on the slopes, but destination skiers from out-of-state still came after having seen the Olympics a year earlier. Despite a weak economy and less than average snowfall, the number of skier visits increased 5.3% to 3.1 million. It's interesting to note that the three Park City resorts recorded the largest gains and benefited from Olympic-related publicity.

**National Monuments & Recreation Areas.** Utah's national monuments and recreation areas remain popular destinations for travelers. However, visitation decreased in 2003 to approximately 4.9 million, down 2.4% from the year before. All but three of Utah's national monuments and recreation areas reported declines during 2003, ranging from a 41% drop at Rainbow Bridge to a 3% decline at Cedar Breaks. Flaming Gorge recorded an increase of 24%, Natural Bridges increased 8%, and visitation to Grand Staircase-Escalante National Monument increased 4%, but those gains weren't enough to offset the declines elsewhere.

**Utah State Parks.** Overall, 4.6 million visitors traveled to Utah's 41 state parks, a 21% decline from the 2002 total. Visitation reports were widely varied according to specific park destinations. Among the ten most popular state parks (which account for over 60% of total state park visitation), visitation increased strongly at Rockport (78%). Visitation numbers for previous years weren't available for Sand Hollow, but in 2003, over 135,000 people visited that park. Visitation declined dramatically at some water-related parks like Bear Lake (-90%), Utah Lake (-47%), Deer Creek (-35%), Yuba Lake (-41%), and Jordanelle (-33%). The drought caused difficulties at a number of state parks and contributed to the decline in visitation at many locations. Overall, visitation increased in 12 parks and declined in 29 parks.

**Salt Lake International Airport.** Total passenger traffic at the airport barely declined by 1% in 2003, totaling 18.5 million passengers. However, the number of destination visitors (representing approximately 55% of 2003's total passengers – as measured by local enplanes and deplanes) equaled 2002 with 10.1 million passengers. The terrorist attacks of September 11<sup>th</sup> affected air transportation more than any other industry. Increased security measures have made air travel more difficult. Combine the fear of terrorism with the perception that air travel is more difficult, add a struggling economy, and one can see why some airlines are facing financial crises. Nevertheless, overall passenger counts at Salt Lake International Airport were nearly on par with 2001 levels.

**Utah Stateline Interstate Vehicle Traffic.** Traffic counts along Utah's Interstate borders decreased by 3% compared to 2002, totaling 22.0 million. Traffic decreased most along I-70 at the Utah-Colorado border, which posted a 6% decline in traffic compared to 2002. Traffic also decreased at the Utah-Wyoming I-80 border and at the Utah-Nevada I-80 border. The Utah-Arizona I-15 border reported a 1% increase in traffic. Traffic along the Utah-

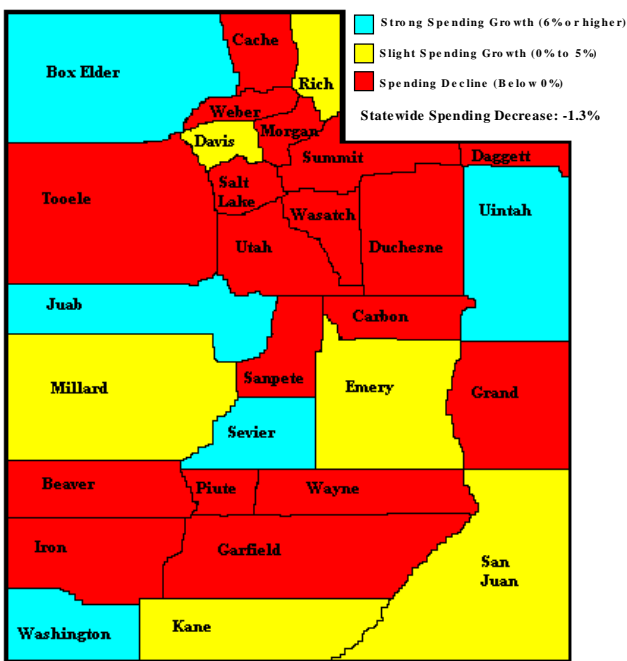
Idaho I-84 border increased nearly 2%. Traffic remained virtually the same at the Utah-Idaho I-15 border. Overall, traffic at state borders including interstate highways and state routes decreased nearly 3% compared to 2002.

**Utah Welcome Centers.** Utah's six welcome centers, located along major transportation corridors throughout the state, reported decreasing visitation for the sixth time in eight years. Total Welcome Center visitation totaled 659,315 in 2003, a 3% decrease from 2002. Visitation figures declined most for Council Hall in Salt Lake City at 12.2%. Visitation at the Brigham City welcome center decreased 7.6% and there was a 7.3% decline at the Jensen welcome center. Small declines of 2.6% and 2.5% occurred at the Thompson Springs and Echo welcome centers respectively. The only welcome center that saw an increase was the St. George welcome center at 6.3%.

## Economic Impact

**Traveler Spending.** In 2003, travelers to Utah spent \$4.631 billion, down 1.3% from 2002's \$4.692 billion. Traveler spending accounted for over 6% of Utah's gross state product.

**TRAVELER SPENDING IN UTAH**  
% Change 2002 to 2003



SOURCE: Utah Dept. of Workforce Services, adapted by Utah Division of Travel Development

jobs). If tourism is treated as a separate industry, it is the sixth-largest employment sector in the state, behind Trade, Transportation, Utilities; Government; Professional & Business Services; Education & Health Services; and Manufacturing.

Although three-fourths of travel and tourism-related jobs are located along the four-county Wasatch Front area, many counties in rural areas of the state are more dependent on tourism. Fewer employment opportunities within rural counties mean that tourism jobs are crucial to providing needed employment, tax receipts, personal income, and business profits. Counties in the northeast and southeast areas of the state are particularly dependent on tourism. Tourism accounts for more than a fifth (20%) of total non-farm employment in 10 counties, led by Daggett (57.8%), Grand (46.9%), Garfield (43.5%), Summit (43.2%), and Kane (36.9%).

Continuing the pattern of the last seven years, traveler spending was highest primarily in northern Utah, although Washington, Grand, and Iron counties also experienced a significant amount of traveler spending. Traveler spending increased in 11 of Utah's 29 counties. Eighteen counties suffered declines.

**Employment.** During 2003, travel and tourism-related employment totaled 108,683 jobs scattered throughout the state. This represented a 1.9% increase compared to 2002's employment levels. Additionally, tourism-related job growth continues to outperform statewide job growth (1.9% compared to -3.1%).

Fourteen of Utah's 29 counties experienced tourism-related job growth from 2002 to 2003. Iron (15.6%), Box Elder (7.5%), Rich (7.4%), and Carbon (6.3%) all posted strong gains in tourism-related employment. The 2003 tourism job growth rate was above the state's five-year average annual tourism job growth rate of 1.0%.

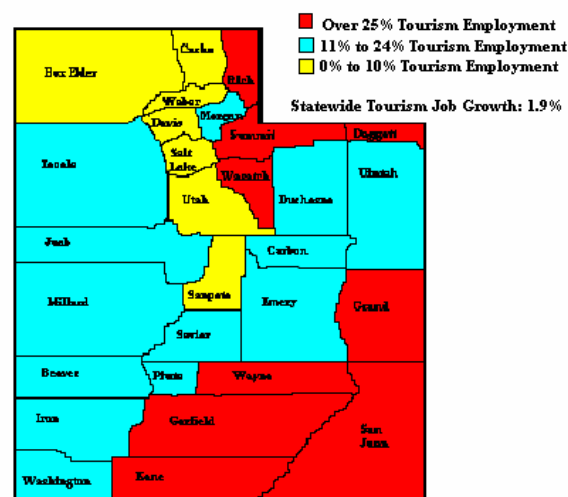
Tourism-related jobs account for nearly 10% of total non-farm jobs in Utah (one in every 10

## EMPLOYMENT BY SECTON IN UTAH

EMPLOYMENT SECTOR	2003	% OF TOTAL
<b>TOTAL NONFARM JOBS</b>	<b>1,074,128</b>	<b>100.0%</b>
Trade, Transportation, Utilities	213,964	19.9%
Government	196,537	18.3
Profess. & Business Services	131,910	12.3%
Education & Health Services	118,376	11.0%
Manufacturing	112,289	10.5%
<b>Travel &amp; Tourism*</b>	<b>108,683</b>	<b>10.1%</b>
Leisure & Hospitality	99,632	9.3%
Construction	67,598	6.3%
Financial Activity	64,672	6.0%
Other Services	32,357	3.0%
Information	30,014	2.8%
Mining	6,669	0.6%

\*Travel & Tourism represents employment from several sectors and is not included in the overall total.  
 SOURCE: Utah Dept. of Workforce Services, Adapted by the Utah Department of Community and Economic Development

## TOURISM JOBS AS PERCENTAGE OF TOTAL NON-FARM JOBS, 2003



**Land Ownership.** As with many western states, land in Utah is primarily public land owned by either the state or federal government. Much of this land has been designated for various degrees of use and development. The federal government owns approximately 64% of all land in Utah, roughly 34.6 million acres. Most federal land is administered by one of several land management agencies, including the Bureau of Land Management, the U.S. Forest Service and the National Park Service. The state of Utah owns 4.1 million acres (10% of land in Utah), most of it is designated as State Trust Lands. American Indian lands comprise over 2.4 million acres (4.5% of the total land area). Finally, private lands account for 21% of the total or nearly 11.5 million acres.

**Seasonality.** Sightseeing, nature-based activities, and outdoor sports are the top visitor attractions for Utah, according to a visitor profile study conducted for 2001.<sup>7</sup> Every three years, the Division of Travel Development commissions a visitor profile study, and there is no reason to assume that the top activities for Utah travelers have changed in 2003. Given the popularity of these types of activities, most visitors travel to Utah during the summer months and September. However, at many of the state's top destinations, the peak visitor season is extending beyond the summer into the shoulder seasons in the spring and fall. The winter visitor is very focused on skiing and holiday-based travel. Winter and summer visitation patterns during 2003 closely mirrored the trend for the past several years.

Land Ownership - 2004	No. of Acres	% Total
<b>Total Acres in State</b>	<b>52,634,758</b>	<b>100.00%</b>
<b>Federal Government</b>	<b>34,573,440</b>	<b>65.7%</b>
BLM	22,617,292	43.0%
US Forest Service	7,256,699	13.8%
National Recreation Areas	1,126,815	2.1%
National Parks, Monuments	903,436	1.7%
National Wildlife Refuge	62,034	0.1%
USFS & BLM Wilderness Area	762,973	1.4%
Other*	1,844,191.00	3.5%
<b>State Government</b>	<b>4,095,119</b>	<b>7.8%</b>
Utah State Parks & Recreation	77,578	0.1%
Utah State wildlife Reserves	392,401	0.7%
State Sovereign Lands	181,180	0.3%
State Trust Lands	3,443,960	6.5%
<b>American Indian</b>	<b>2,439,176</b>	<b>4.6%</b>
<b>Private**</b>	<b>11,527,023</b>	<b>21.9%</b>

\*Includes Military and Bankhead Jones land

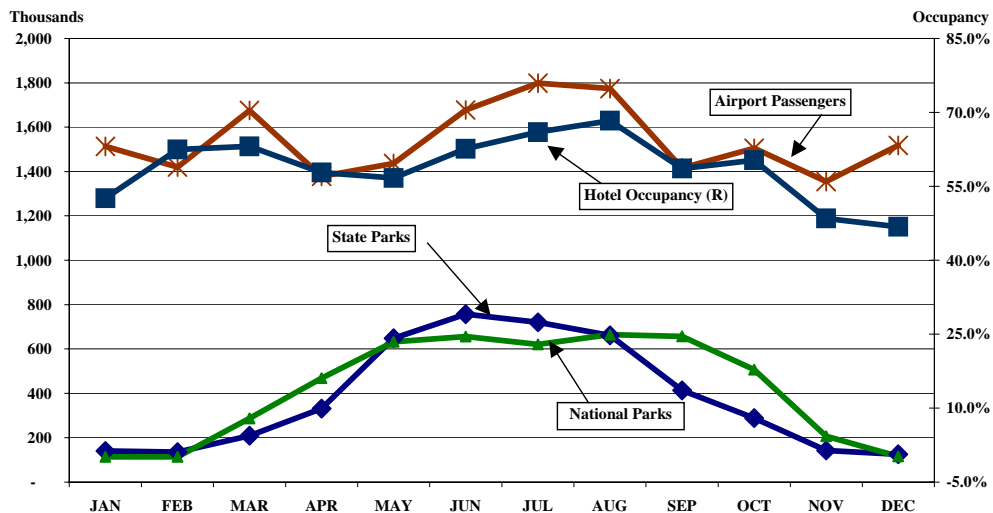
\*\*May include some local government land

Source: GIS Database 2004

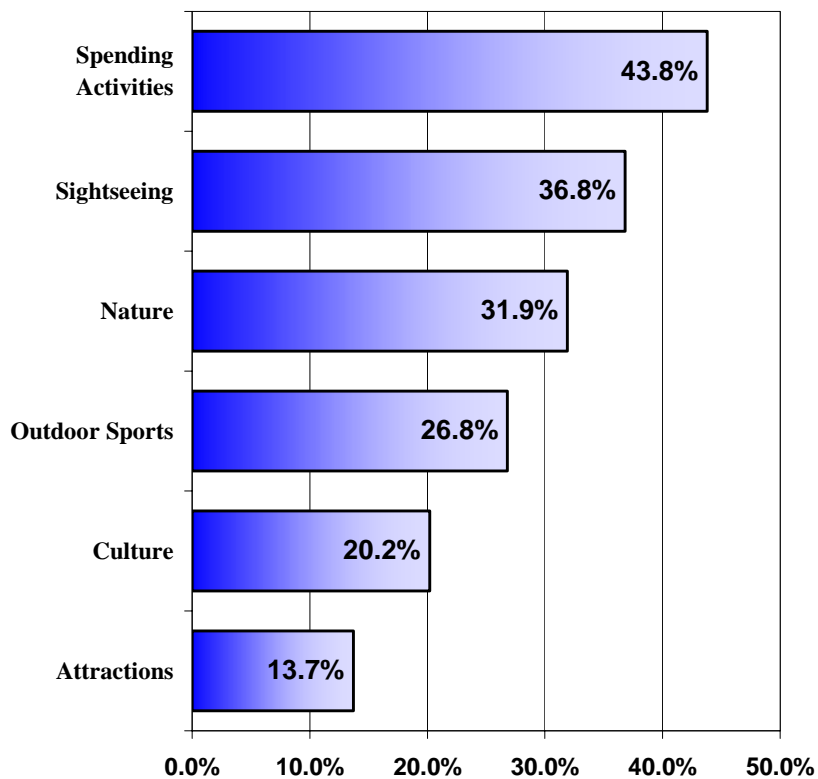
<sup>7</sup> 2001 Domestic Visitor Profile, D.K. Shifflet & Associates, Ltd., September 2002



Key Monthly Visitation Indicators - 2003



Top Activities for Utah Travelers, 2001



SOURCE: D.K. Shifflet & Associates, Ltd.